

Regional Housing Trust Fund Implementation

Beaufort-Jasper Counties Regional Housing
Trust Fund (RHTF)

Date



Agenda

- Acknowledgements
- Project Overview
- Challenges
- Mission, Vision, and Objectives
- Next Steps

Acknowledgements

Study's Funding Jurisdictions

Thank you to the following jurisdictions for funding the Beaufort-Jasper Counties Regional Housing Trust Fund Study:

- Beaufort County
- Jasper County
- City of Beaufort
- Town of Bluffton
- City of Hardeeville
- Town of Hilton Head Island
- Town of Port Royal
- Town of Yemassee

Project Overview

Purpose of This Study

The study's goal was to make recommendations for the process of forming, funding, and staffing a Regional Housing Trust Fund (RHTF).

This study's key questions to answer were the following:

- **Revenue Sources:** What types of revenue sources can provide a sustainable, ongoing revenue source for the RHTF?
- **Uses of Funds:** How should funds be used to support affordability? What are the broad priorities of the RHTF?
- **Fund Governance and Partnerships:** How will regional governance of the fund work? How will it be staffed, and who will make up the board?
- **Project Criteria:** What does the RHTF consider “affordable”? What types of projects are eligible for funding? How long should properties remain affordable?

What Is a Housing Trust Fund?

A Housing Trust Fund is a fund established to **support the production and/or preservation of affordable housing.**

The Housing Trust Fund is generally supported by the public sector (local and/or state governments) to **fill gaps in the housing supply provided by the market.** These funds are also supported by philanthropy and the private sector.

Key RHTF Priorities

Priority #1: Providing accessible, affordable housing to the region to support the workforce in the service economy, as well as others with high housing cost burdens.

Table 1: Hilton Head Island-Bluffton-Beaufort (MSA) Annual Mean Wages for Top 4 Employment Occupational Groups (2019)

	Total Employment	Annual Mean Wage
Food Preparation and Serving Related Occupations	12,810	\$23,810
Sales and Related Occupations	10,800	\$39,110
Office and Administrative Support Occupations	10,380	\$35,830
Transportation and Material Moving Occupations	4,830	\$32,370
Beaufort County Household Income Needed to Afford Median Gross Rent		\$48,080
Jasper County Household Income Needed to Afford Median Gross Rent		\$37,160

Source: U.S. Bureau of Labor Statistics, 2019, Occupational Employment and Wage Statistics (OEWS) Survey.

Priority #2: Overcoming barriers to affordable development, such as financial gaps and land availability.

- The availability of utilities, particularly water and sewer lines, is important for determining the feasibility of new developments, especially multifamily housing development.
- The RHTF can help close financing gaps related to infrastructure.

Priority #3: Ensuring a regional approach for affordable housing that addresses the needs of each jurisdiction, while meeting important strategic goals for housing location.

- The RHTF board should include appointed representatives from all contributing jurisdictions.
- Funds will finance projects in the region, based on whether the affordable housing project seeking financing meets the RHTF project criteria.
- All jurisdictions are likely to see an economic benefit from the RHTF.

Priority #4: Understanding the tools and resources available to Housing Trust Funds through various state laws and regulations.

- The RHTF has the ability to stimulate projects through accessible financing and/or provision of land.

Priority #5: Identifying a stable and reliable dedicated revenue source.

- A stable and reliable dedicated funding source provides a housing trust fund with a flow of resources that can aggregate and increase over time.
- Lack of dedicated sources will hamper year-to-year investment planning and make it difficult to finance larger multifamily rental deals.

Mission, Vision, and Objectives

Mission + Vision

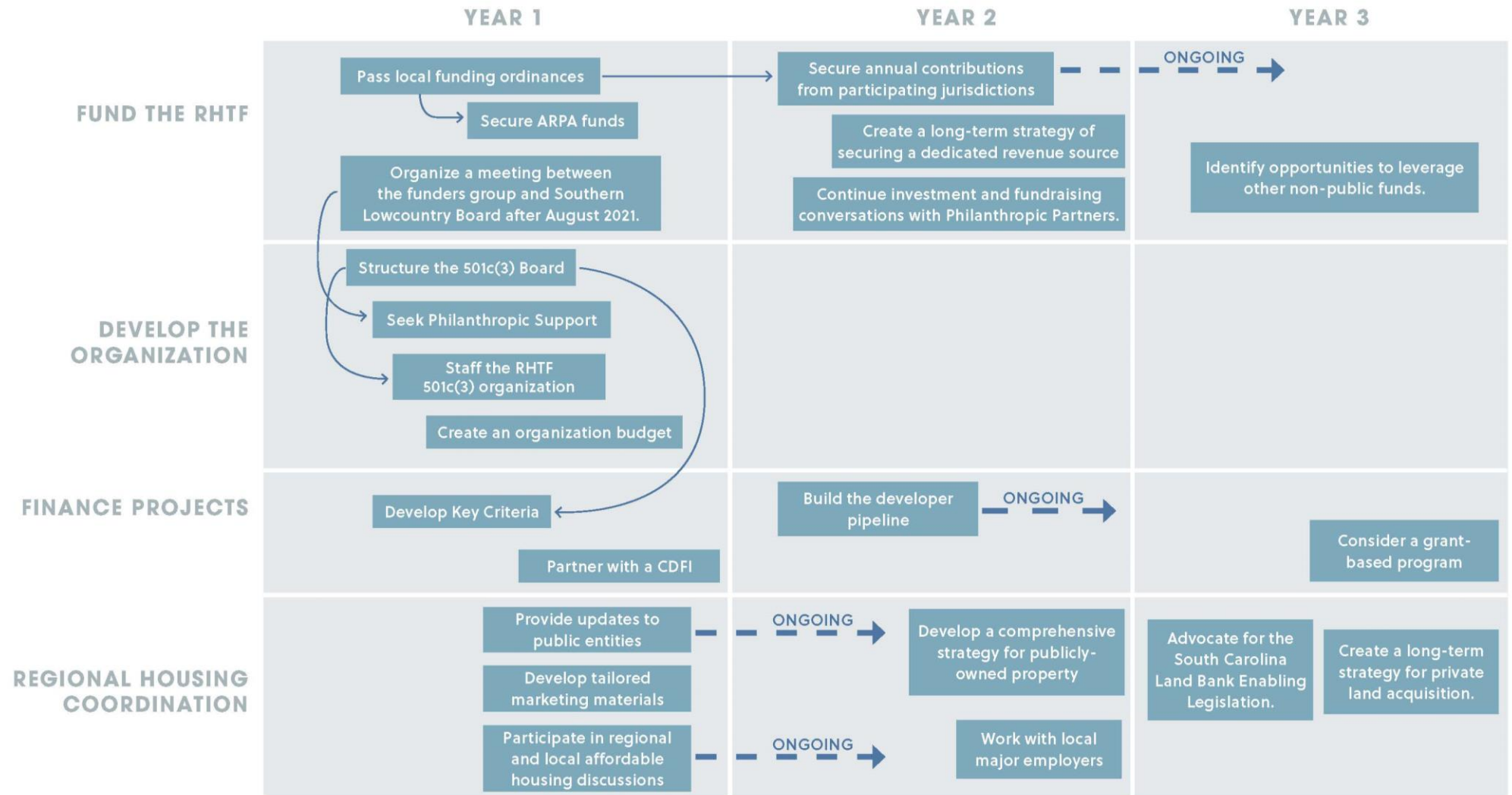
- **Mission:** The mission of the Beaufort-Jasper Counties Regional Housing Trust Fund is to create and preserve affordable housing in the Beaufort and Jasper Counties.
- **Vision:** Regardless of their socio-economic status, individuals and families in Beaufort and Jasper Counties are able to remain in their homes or find high-quality, safe, well-maintained housing close to their place of employment.

Objectives

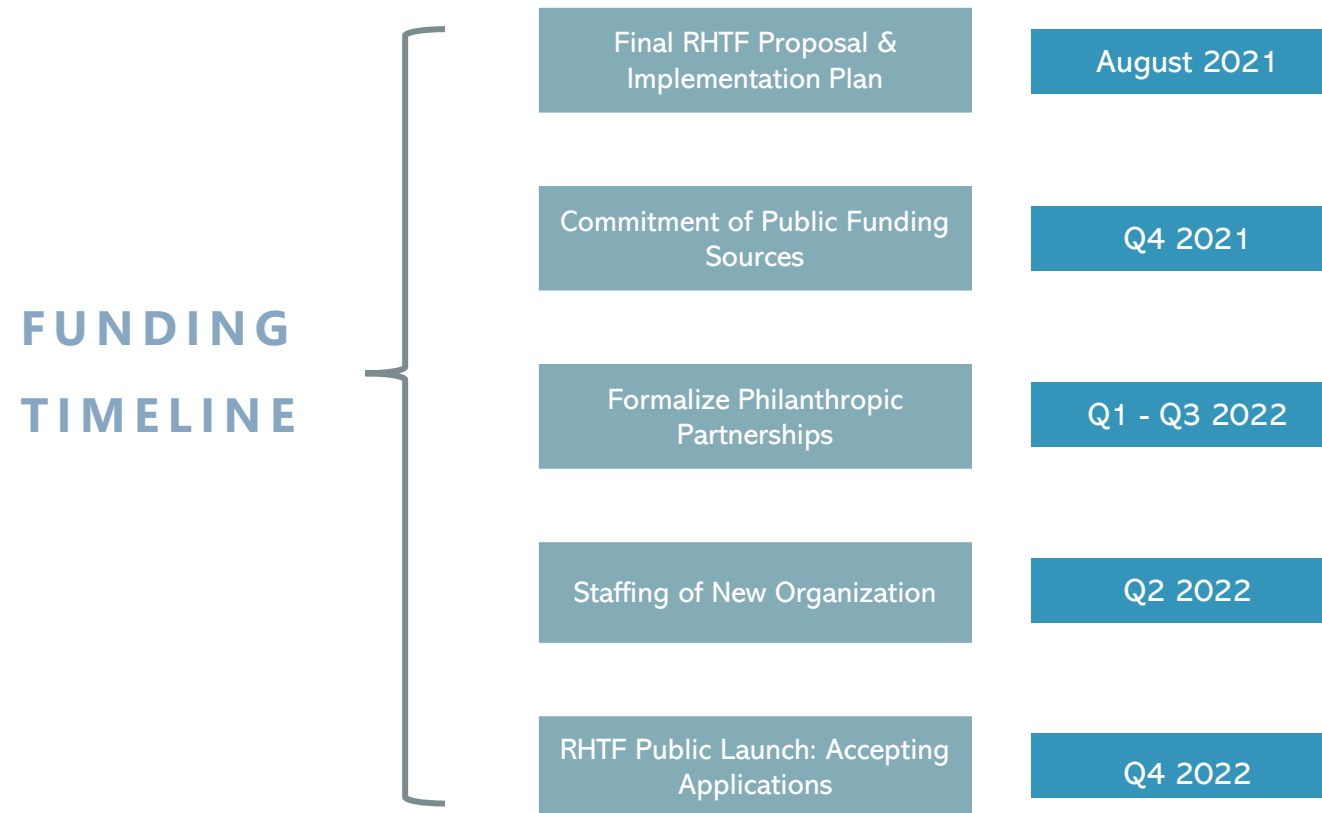
- Create new housing units, or rehabilitate or preserve existing housing units, for households at or below 120% of Area Median Income, with a **strong focus on households at or below 60% of Area Median Income**
- Provide **workforce housing** for the growing Beaufort-Jasper economy
- Help households **maintain financial stability and build wealth** by reducing the amount of money they must spend on housing and transportation
- Strengthen relationships, build trust, and engage partners and stakeholders, ensuring an **organized and collaborative approach to regional housing challenges**
- Increase awareness of existing and **new financial products** that serve the Beaufort-Jasper community
- **Leverage outside funding** from banks, corporations, philanthropic institutions, and federal, state and local governments.

Next Steps

Action Plan Timeline



Step 1: Fund the RHTF



Step 1.1. Pass Local Funding Ordinances

- The “William C. Mescher Local Housing Trust Fund Enabling Act” gives local governments authority to jointly form a regional housing trust fund by ordinance.
- The ordinance must establish financing for the RHTF.

Step 1.2. Secure ARPA funds in Year 1

- The American Rescue Plan Act of 2021 (ARPA) will allocate over \$67 Million to the Beaufort-Jasper County region.
- We are asking each participating jurisdiction to dedicate 3% of their individual ARPA allocations to the RHTF in Year 1.
- Ideally, these would come from the State and Local Recovery pool of ARPA funds, which is the most flexible pool and will allow for more streamlined financing of the RHTF.

Step 1.3. Secure a total annual contribution of \$500,000 from participating jurisdictions, based on population share, in Year 2 and ongoing.

- The participating jurisdictions can meet a goal of raising about \$500,000 a year, based on population share of each jurisdiction. The \$500,000 goal in the report is adjusted for inflation and therefore contributions rise slightly each year.
- The following Funding Matrix provides an example of how funds can be raised, by jurisdiction, and accumulate to over \$7 Million by Year 10.

Step 1.3. Funding Matrix

Initial Infusion of Stimulus Funds, plus \$500,000 Per Year (adjusted for inflation)*

Annual Contributions, plus inflation (3%)

Year Sum		Beaufort County	Hilton Head Island	Bluffton	Port Royal	City of Beaufort	Jasper County	Hardeeville	Yemassee
Y1*	\$2,035,058	\$1,119,523	\$156,815	\$59,474	\$197,669	\$200,671	\$175,240	\$108,699	\$16,967

***Year 1: 3% of American Rescue Plan funds**

Year Sum		Beaufort County	Hilton Head Island	Bluffton	Port Royal	City of Beaufort	Jasper County	Hardeeville	Yemassee
Y2	\$515,000	\$231,855	\$92,389	\$59,236	\$30,676	\$31,432	\$50,201	\$16,869	\$2,633
Y3	\$530,750	\$238,811	\$95,161	\$61,013	\$31,596	\$32,375	\$51,707	\$17,375	\$2,712
Y4	\$546,672	\$245,975	\$98,015	\$62,843	\$32,544	\$33,346	\$53,258	\$17,896	\$2,793
Y5	\$563,072	\$253,354	\$100,956	\$64,729	\$33,520	\$34,347	\$54,856	\$18,433	\$2,877
Y6	\$579,965	\$260,955	\$103,985	\$66,671	\$34,526	\$35,377	\$56,502	\$18,986	\$2,963
Y7	\$597,363	\$268,783	\$107,104	\$68,671	\$35,562	\$36,438	\$58,197	\$19,556	\$3,052
Y8	\$615,284	\$276,847	\$110,317	\$70,731	\$36,629	\$37,531	\$59,943	\$20,142	\$3,144
Y9	\$633,743	\$285,152	\$113,627	\$72,853	\$37,728	\$38,657	\$61,741	\$20,747	\$3,238
Y10	\$652,755	\$293,707	\$117,036	\$75,038	\$38,859	\$39,817	\$63,593	\$21,369	\$3,335
Sum	\$7,269,663	\$3,474,963	\$1,095,405	\$661,259	\$509,310	\$519,992	\$685,237	\$280,073	\$43,715

****Y2-Y10 = funding based on population share. Source not specified, but promising potential sources are noted in final report.**

Step 1.4. Create a long-term strategy of securing a dedicated revenue source from participating jurisdictions.

- A stable and reliable dedicated funding source will provide the RHTF with a flow of resources that can aggregate and increase over time.
- The lack of a dedicated revenue stream will hamper year-to-year investment planning.

Step 1.5. Continue investment and fundraising conversations with philanthropic and corporate partners.

- Foundation and private contributions to the RHTF can be a good way to grow the fund over time.
- The size of these funds can vary widely and also require staff time to dedicate toward fundraising efforts.
- Organize a meeting between the funders group and Southern Lowcountry Board after August 2021.

Step 1.6. Identify opportunities to leverage other non-public funds.

- **Banks** - Banks are eligible for CRA (Community Reinvestment Act) credit when they make investments in low- and moderate-income communities.
- **Corporate Dollars** - Corporations can receive an income tax, bank tax, or insurance premium tax credit through the South Carolina Community Development Credit by making investments into community development corporations or financial institutions like CDFIs.

Step 2: Develop the Organization

Step 2.1. Determine the 501c(3) Board Structure

- First, the participating jurisdictions will need to come to an agreement between the following two options regarding the 501c(3) Board Structure:
 - Option A: Each participating jurisdiction appoints one board member per jurisdiction.
 - Option B: Allocate board participation proportionally based on the total contributions up to a maximum total of 15 board members.

Step 2.2. Incorporate the 501c(3) organization

- File Articles of Incorporation
- Tax Exempt Status
- Create board bylaws and procedures

Step 2.3. Staff the RHTF 501c(3) organization

- The RHTF will require 1-2 staff members in Years 1-3 to manage the Fund's day-to-day operations.
- The following two key roles are of greatest importance to implement the RHTF in Years 1-3, and will fulfill the Work Plan described below in Step 4:
 - Executive Director
 - Project Manager

Step 2.4. Create an organization budget.

	YEAR 1		YEAR 2		YEAR 3		NOTES
Operating costs							
South Carolina charitable registration	\$50						\$50 (or \$0 if filing exemption)
Small Office space (lease, utilities, and amenities)	\$20,000		\$20,000		\$20,000		(annual)
Travel & Insurance	\$5,000		\$5,000		\$5,000		(annual)
Professional Services (Prep of Org. Documents, Filings, Audits, Legal Services, Consulting)	\$20,000		\$20,000		\$20,000		For audits
Staffing Costs	Base Salary	Base + Fringe	Base Salary	Base + Fringe + COLA	Base Salary	Base + Fringe + COLA	
Executive Director	\$90,000	\$126,000	\$90,000	\$129,780	\$90,000	\$133,673	
Program Manager	\$60,000	\$84,000	\$60,000	\$86,520	\$60,000	\$89,116	
Total	\$255,675		\$261,300		\$267,789		
Anticipated Year 1 budget of \$255,000							

Step 2.5. Seek philanthropic support.

- Some foundations provide administrative grants to help fund the start up costs of worthy causes.
- This can include initial staff funding, fund the administrative costs to pass local ordinances and nonprofit corporation application costs.
- Identify a group to work with Coastal Community Foundation, Community Foundation of the Lowcountry, and other potential funders for implementation.

Step 3: Work Plan Part 1: Financing Projects

Step 3.1. Partner with a CDFI.

- The RHTF will provide flexible, low-interest financing for rental or for-sale affordable housing projects that meet the RHTF Objectives.
- HTFs can manage financing themselves, or they can partner with a CDFI to manage the loan portfolio.
- A CDFI is a financial institution that is federally certified, with a mission of community development, to provide financial services to marginalized communities and neighborhoods. Existing CDFIs can provide technical assistance and underwrite the fund's loans. They also have access to Federal funds and existing pools of money that can enable larger investments more quickly.

Step 3.2. Develop key criteria.

- The RHTF Board will finalize the project criteria eligible for funding and determine a scoring matrix to rank projects against another.
- Examples of project criteria:
 - **Affordability Priorities: Project meets one or more of the below affordability goals.**
 - Mixed income including some units targeted at households 60% AMI and below;
 - Primarily provides units for 60% AMI or \$49,000, whichever higher;
 - Provides units at 50% AMI or below, or provides Homeless or other Special Needs Housing; which are priorities established for Housing Trust Funds by State law in South Carolina.
 - **Leverage of RHTF Investment: Project meets one or more of the below goals.**
 - Leverages State or Federal dollars, including Low Income Housing Tax Credit (LIHTC)
 - Leverages financing or land provided by a contributing jurisdiction to the RHTF;
 - Leverage financing or land provided by a local jurisdiction in Beaufort or Jasper Counties that does not contribute to the RHTF;
 - Leverages philanthropic or corporate investment.

Step 3.2. Develop key criteria [continued]

- Examples of project criteria (continued):
 - **Inclusive Investment:** Project meets one or more of the below goals for inclusive, targeted investment that meets community needs.
 - Project provides workforce housing within proximity to a job center;
 - Project provides housing that helps meet needs for growing communities in rural areas;
 - Project is located in a “high-opportunity area”
 - **Eligible activities:** Funds can be used for predevelopment, acquisition, infrastructure, rehabilitation, construction, or permanent financing;
 - **Eligible borrowers:** Borrowers can be non-profit organizations, for-profit corporations, government entities developing eligible properties, and LLCs.

Step 3.3. Build the developer pipeline.

- The RHTF staff will be responsible for building prospective developer relationships.
- This includes providing educational materials, term sheets, mission, goals, and objectives, and eligible criteria.
- Staff may solicit participation by advising national affordable housing developers that are not yet in the Lowcountry market about the availability of the RHTF.
- The RHTF staff can act as liaisons to introduce developers to city departmental contacts and local partners.

Step 3.4. Consider a grant-based program when the fund is substantial in size.

- The RHTF may choose to provide grants to certain qualifying applicants. Key questions to ask before starting a grant program include:
 - Are the Fund's loan repayments enough to continue another year of financing?
 - Has a dedicated funding source been identified?
 - Are there enough completed housing development projects funded through the RHTF to showcase the fund's success and ROI?
 - What key criteria does the RHTF board support for a grant-based program, and how is it different from the loan financing criteria?
 - Will the RHTF open the call for grant applications to the public? How will applicants be scored?
 - Will the program have a finite fund, or will it become a continuously funded program?

Step 4: Work Plan Part 2: Regional Housing Coordination

Step 4.1. Develop tailored materials for public officials, philanthropic partners, and local/national developers about the goals and opportunities of the RHTF.

- Marketing materials will need to be catered to each individual audience based on their level of knowledge of the various roles of the RHTF, and who the RHTF can impact.

Step 4.1. Example Flyers

BEAUFORT - JASPER REGIONAL HOUSING TRUST FUND

HOUSING NEEDS

There is a regional need for more housing affordable in the Beaufort and Jasper County region. Housing is considered affordable if the costs of rent or mortgage payments plus all utilities do not exceed 30% of one's annual income. Households paying more than 30% of their income towards housing are considered cost-burdened and have reduced ability to meet their other financial demands. Households at any income level can be cost-burdened, but there is particular strain for individuals and households whose wages are not high enough to cover the cost of median rent in a region. An important metric for determining affordable housing costs specific to a geographic region is to compare the region's household income levels to the number of units available at various rent levels. In the Beaufort-Jasper region, the largest gap of units was for households making below 60% AMI, or households making less than \$19,000. \$1,225 is the highest monthly cost these households should pay for housing to be affordable for them. A 2021 Housing Trust Fund Proposal and Implementation Plan documents key recommendations for the process of forming, funding, and staffing a Regional Housing Trust Fund (RHTF) to increase the supply of housing that is affordable to cost-burdened households.

WHAT IS A HOUSING TRUST FUND?

Put simply, a Housing Trust Fund (HTF) is a fund owned by a public agency at the city, county, state, or even national level, that collects funds to put towards housing. These funds are sourced from a city, county, or state's general budget, through government bonds, or through a dedicated revenue stream. Some ways these funds may be used to make housing affordable are:

- Build new housing to increase the supply of available units
- Rehabilitate or preserve affordable housing
- Acquire housing with expiring subsidies to keep existing units at their current affordable rental rates

FUNDING TIMELINE

Final RHTF Proposal & Implementation Plan	August 2021
Commitment of Public Funding Sources	Q4 2021
Formalize Philanthropic Partnerships	Q1 - Q3 2022
Staffing of New Organization	Q2 2022
RHTF Public Launch: Accepting Applications	Q4 2022

HOW IS A HOUSING TRUST FUNDED?

A local government that creates a HTF may finance the HTF with money available to the local government through its budgeting authority. This can include fees, sales tax, general fund dollars, or bond dollars. A HTF may also be supported in part by contributions from philanthropy and the private sector.

SUPPORT THE REGIONAL HOUSING TRUST FUND

Who Affordable Housing Impacts

Marion Ellis is a single mom who works full time as a registered nurse at Beaufort Memorial Hospital earning \$50,000 per year. Her two school-aged kids are 12 and 16 years old and are active in afterschool activities. Due to Marion's student loans, single income, and lack of child support, Marion has had difficulty getting approved for a mortgage loan. As a renter, she has had difficulty finding an affordable three-bedroom single family house within walking or biking to her children's campuses as both her kids have morning and evening sports practice that often conflicts with her overnight shifts.

Carmen and Trey Collins are a young married couple in their mid-twenties with two children. Carmen teaches first grade while Trey teaches fourth grade at Riegels Elementary School. Both of their children are under the age of five years old and are enrolled in daycare full time during the school year, which costs \$1,300 per month. Their student loan payments also total \$1,300 per month. As newer teachers, Carmen and Trey's combined household income is \$51,000. With long teaching days, they would prefer to live closer to work but cannot afford any housing within a 30 minute drive of their employer.

Alexis Johnson is a young college student living with two other roommates in a two-bedroom rental. He is attending Technical Lowlands College (TLC) for his first two years before he transfers to USC Beaufort to finish his four-year degree. Alexis' split for rent is \$450, which is almost half of his average monthly income as a server working 40 hours at a restaurant in historic downtown Beaufort. Alexis does not have a personal vehicle, so his job and housing prospects are limited to a five-mile radius of his school, which is the distance he is able to comfortably ride his bike. Annual tuition at USC Beaufort is almost 3.5 times more expensive than his annual tuition at TLC, so he works a second job during the summer months to save towards university.

Robert is a Program Manager nearing retirement age and lives with his three teenage children and aging mother. He is the sole income earner for the household with an annual salary of \$58,000. While his three children each have after school jobs, they save their earnings to put towards their college savings or tuition. Finding a four-bedroom house that is accessible for his mother, who is in a motorized wheelchair, within their monthly rent budget (\$1,450) is difficult and Robert and his family are willing to drive further to find more affordable housing.

Step 4.2. Ensure the RHTF Executive Director provides updates to participating jurisdictions' elected officials and updates to affordable housing boards, commissions, and task forces.

- The William C. Mescher Local Housing Trust Fund Enabling Act requires the RHTF, at minimum, provide an annual report to the local governments that created the fund.
- Remain involved in various boards, commissions, and task forces who are also addressing affordable housing.

Step 4.3. Participate in regional and local affordable housing discussions, including public meetings and zoning changes.

- RHTF staff should stay up to date on ongoing housing issues and efforts at the regional and local level.
- This can include affordable housing development, promoting and preserving homeownership, rent stabilization, housing repair and rehabilitation, city-level housing strategies, housing market changes, and housing assistance.
- This insight will help the RHTF staff and board members determine how to prioritize and leverage funds appropriately to make the greatest impact.

Step 4.4. Develop a comprehensive strategy for publicly-owned property.

- Craft a comprehensive strategy for the acquisition and disposition of properties.
 - Identify priority locations for residential development, factoring in community assets and services, proximity to jobs, and existing infrastructure.

Step 4.5. Advocate for the South Carolina Land Bank Enabling Legislation.

- South Carolina does not grant land banks special powers in acquiring real estate.
- If this legislation were passed, and the RHTF became a land bank under the terms of the legislation, the RHTF could acquire tax delinquent properties at public foreclosure auctions for less than market value and leverage them in the deal making process.

Step 4.6. Create a long-term strategy for private land acquisition.

- Acquisition of private land at market value is a high cost and can drain the RHTF resources, even with one property purchase.
- Acquiring a site may become a crucial need to preserve a potential affordable residential site for future development.
- Factors that should be considered in advance include:
 - Size of the fund
 - Location, zoning, and infrastructure access of the site
 - Projected RHTF revenue
 - Existing loan portfolio

Step 4.7. Work with major employers.

- Many local employers may already be exploring how they can advocate for, partner in, or invest in housing development.
- Some institutions may have large real estate portfolios that can be leveraged through the RHTF process.

Appendix

Steering Committee

Thank you to the following volunteers who dedicated their time and local knowledge to help guide the Study, starting prior to the project kick off in January 2021, through August 2021.

- Alex Pinckney, Jasper County Planning Commission
- Allison Coppage, Beaufort Memorial Hospital
- Ben Boswell, Beaufort County Human Services
- Dale Thompson, Compass Custom Homes
- Dan Wood, Town of Bluffton Town Council
- David Prichard, City of Beaufort
- Eric Greenway, Beaufort County
- Greg Alexander, Town of Yemassee
- Heather Colin, Town of Bluffton
- Janet Gresham, Beaufort Jasper County Realtors
- Jean Beck, Hilton Head Area REALTORS
- Jennifer Ray, Hilton Head Island
- Linda Bridges, Town of Port Royal
- Lisa Wagner, Jasper County
- Matthew Garnes, Town of Yemassee
- Missy Yost, Hardeeville Attainable Housing Task Force
- Nakisha Johnson, Beaufort Memorial Hospital
- Pamela Frese, Town of Port Royal
- Phillip Cromer, City of Beaufort
- Robert Merchant, Beaufort County
- Scott Grooms, Beaufort County
- Shawn Colin, Town of Hilton Head
- Tedd Moyd, Jasper County Neighbors United
- Wendy Zara, Town of Port Royal

National Housing Trust Fund Peers

Asakura Robinson identified peer Housing Trust Funds to interview during this process based on the following criteria set by the Steering Committee:

- Length of history and operations
- Project criteria
- Tourism-driven economy
- Regional, with urban/rural geographies
- Regional, with all rural geographies
- Subsidizing water and/or design regulations
- Acquisition of land or land banking processes

Peer Housing Trust Funds

- Housing Initiative Fund (Montgomery County, MD)
- Louisville Affordable Housing Trust Fund + Louisville CARES (Louisville-Jefferson County Metro Government, KY)
- Neighborhood Housing Improvement Fund (New Orleans, LA)
- Midlands Housing Trust Fund (Columbia, SC)
- The Affordable Housing Trust for Columbus and Franklin County (Columbus and Franklin County, OH)
- Rural Workforce Housing Fund (State of Nebraska)
- CommunityWorks Carolina (operator of Greenville Housing Fund, Spartanburg Housing Fund)
- South Carolina Community Loan Fund (Charleston, SC)

Local Interviews

Asakura Robinson identified the following interviewees based on recommendations from the Steering Committee:

- BJWSA
- Beaufort Housing Authority
- Bennett & Reindl, LLC
- Coastal Community Foundation
- Community Foundation of the Lowcountry
- Community Works
- Forino Construction Company
- Hilton Head Regional Habitat for Humanity
- Hilton Head Area Home Builders Association
- Homes of Hope
- Jasper County Neighbors United
- Lowcountry Habitat for Humanity
- Lowcountry Council of Government
- NHE Inc Property Management
- South Carolina Community Loan Fund
- Representative William Herbkersman
- The Town of Bluffton's Wharf Street Redevelopment Project
- United Way of the Lowcountry